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Major News Releases and Speeches

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Speeches

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Remarks prepared for delivery by Secretary of Agriculture John R. Block before the 91st Annual Convention of the Illinois Bankers Association, St. Louis, Missouri, June 7, 1982

There's a story about this suburban fellow who watched his neighbor get into his car every Friday night, drive off and not return until Saturday afternoon. After seeing this happen week after week throughout the year, his curiosity finally got the best of him. He approached his neighbor and asked him outright about where he had been.

The neighbor quickly explained that there was a small establishment about 130 miles away that sold drinks for about 30 cents less a glass. It was too good a deal to pass up.

The curious fellow then tried to give his neighbor a quick lesson in economics. "Don't you realize, you're spending about $15 in gasoline to save 30 cents a drink?"

But the neighbor was way ahead of him. He had already thought about that, and he had the solution. "I just drink 'till I show a profit," he said.

There seems to have been quite a bit of that kind of thinking going around during the past several decades, especially in Washington. It's what we call spending our way into prosperity, and the federal government spared no expense in trying to make it happen.

Well we all know what did happen. The problems that we have today are the results of those judgments made yesterday. There's nothing we can do about that part of it. We can't change history. But we do have control over tomorrow, because what happens then will be the result of those judgments which are being made today. And just how well we accept that responsibility is the challenge that we all face—whether we be in government or in the private sector.

What we have to remember is that the original challenge came from the mandate given during the November election in 1980. If you stop to add it all up, we've seen quite a few positive things happen since then. The growth in federal spending has been cut in half, the same is

being done with new regulations, the wind has been knocked out of inflation and we've witnessed passage of the largest tax cut in our history.

Now, keep one thing in mind. No one ever promised that we were going to get this economy turned around in just a few weeks or months. Problems this big just don't go away that fast. Yet, Congress had hardly walked down the Capitol steps after voting on the tax cut when the skeptics started charging that the recovery plan wasn't working.

I've said this before, but I think it needs repeating. The very key to a successful recovery is also the target for the skeptics. I'm talking about "patience." It's hard to preach. It's even harder to practice. But it's one of the easiest things to criticize. But let me tell you something—if we don't have the character to accept it, we will have thrown away our only chance for sustainable recovery.

This is also the challenge facing agriculture today. We all know that agriculture has been in a valley and we all know it would seem easy for Uncle Sam to toss a money rope down to bail the industry out of that valley. There are some in government who would like to do just that. But, I'm convinced that farmers don't want it to happen that way.

In the first place, artifical prosperity built on government dollars is nothing to boast about. Secondly, farmers know there really isn't a whole lot of security in hanging on to Uncle Sam's money rope. They know there's always the chance that it will break, and they run the risk of falling even deeper into the valley.

What farmers really need, and want, is a solid economic foundation they can build upon. There's only one place where they're going to find they can build upon. There's only one place where they're going to find that foundation: It's in the market place. Agriculture needs to embrace this very basic principle.

Now, I am not suggesting that agriculture can survive without the assistance of government farm programs. That would be misleading. There will always be a need to protect farmers against sudden natural disasters, as well as those economic disasters that are inherent in the agricultural industry. We also have to realize that when we talk about the market place, we have to set our minds on a global perspective.

During the past 10 years, the proportion of U.S. cropland devoted to exports has doubled, so that now we send the production from two of

every five acres into the world market. The whole world is our market place, but many of our foreign competitors do not share the principle of market-oriented agriculture. That creates quite a dilemma for us. I'll get into that in just a few minutes.

The point I'm making is simple: When hard times come—whether from natural disasters, economic disasters or from unfair competition in the world—you don't abandon a principle that has worked so well over the years. Instead, you find out what is causing the problems and then fine tune your principle so that it can adjust to those problems.

The Agriculture and Food Act in 1981 is a step in that direction. It is not a bail out—it was never designed to buy prosperity for agriculture—but it is designed to help farmers adjust to some current problems while still working within a market-oriented agricultural system.

By utilizing the programs contained in the current farm legislation, we have been able to provide assistance to farmers that will total nearly $11 billion in fiscal 1982. Net outlays for on-going CCC price support programs, which were designed with flexibility to deal with a surplus production situation, will increase by about $6.5 billion for fiscal 1982. In other words, our farm programs are doing something for agriculture, and they're working. Farm prices are already moving upward. This is especially true in the livestock sector, which accounts for 50 percent of all net farm income. I realize, however, that prices farmers pay for inputs have continued upward and one of the main culprits has been interest rates. They, alone, have increased 40 percent since 1980. I don't have to tell you what that has done to agriculture.

That's why it is important that we get a budget approved by Congress, a budget that will send the right signal to people like yourselves. And the only way that we can successfully accomplish this is by reducing our growth in spending, not by raising taxes. We've learned a harsh lesson from history: When we raise taxes, somebody always finds a way to spend that extra money. We can't let that happen again.

Let me tell you, if we can get that budget under control then watch out! We're going to see a drop in interest rates, then we're going to see the real signs of recovery in this country. And when we recover, the world won't be far behind. And when the world recovers, that means

exports. That's the chain reaction we would all like to see, and I am confident we will see it.

This presents a real challenge, and that's why I have made agricultural exports my top priority for this administration. In fact, President Reagan has also made it his top priority for agriculture. This is because we know that when our export potential becomes a reality, we have to be prepared to deal with it. We have to be aggressive in finding and opening new world markets and we have to be firm in our dealing with the problems we face today with our foreign competitors.

This brings me to the dilemma that I spoke about earlier. Right now the world market is signaling that a reduction in output is needed, and many U.S. producers are responding by idling acreage. But at the same time, our world competitors are expanding their own production. This doesn't sit too well with farmers in the United States. It doesn't sit too well with me!

The point is that most of our competitors agree with us that a cut in production is needed. Where we disagree on is just who will cut production. We feel it is a responsibility to be shared by all exporting nations. But while our competitors applaud us for our efforts, they call for "all out production" from their own farmers. Such has been the case in Canada.

The European Community, under its Common Agricultural Policy, has been another problem area. Farm price support levels in the Community were set high in the beginning, and they have been kept high enough to encourage a continual increase in production in all member countries. This has resulted in huge surpluses which could not be consumed in Europe. These surpluses are moved onto the world market with export subsidies. At the same time, domestic prices are protected by variable levies, so there is no inducement for European consumers to utilize any of the surplus.

These unfair practices are damaging to U.S. agricultural trade, and we have discussed our concerns with officials from the Community. But their perception of world markets are so different from our viewpoints that our hopes for an effective dialogue seems to be fading rapidly. We may have only one alternative. That alternative is to deviate temporarily from our free market stance and engage in costly short run trade wars.

If that is what it takes to achieve the principles of free markets, then we'll have to start looking more seriously in that direction.

In the meantime, we'll be working with other nations who are as concerned about this situation as we are. Together, perhaps we can apply enough international pressure to overcome this problem. Make no mistake about it, we will not retreat from our basic principle. Now, before I conclude my remarks, I want to say a word about an area of particular interest to you: farm credit.

Despite the loud cries of massive foreclosures by the gloom and doom prophets, the castastrophe did not occur. Agriculture has not collapsed. Thanks to the excellent cooperation between all agricultural lenders, we have been able to provide operating funds for nearly every farmer and rancher who was eligible for a loan. This would not have been possible without your help and the help of other commercial lenders to agriculture. Last January I invited lenders from the private sector to join with me in a unified approach to the problem. Working with the American Bankers Association, the Independent Bankers Association of America and the Farm Credit Administration, the Farmers Home Administration engaged in an unprecedented program of participation lending to meet the credit needs of farmers.

We arranged for the government to subordinate its loans to those of private lenders in many cases. This made it possible for larger loans to be accommodated and at the same time borrowers were able to stay with their normal source of credit.

Our aim has been to use Farmers Home farm lending as a supplement to commercial lending. But farmers are your customers. We want them to remain your customers. At the same time we stand ready to backstop and supplement your efforts. Our overall goal, of course, is to do what is best for agriculture.

We've been through some tough times, but we've been through tougher times before. And each time we learn something. Each time we become stronger and more resilient and more capable to meet new challenges. That's what agriculture is all about.

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Testimony

U.S. Department of Agriculture • Office of Governmental and Public Affairs

Statement by Secretary of Agriculture John R. Block before the House Committee on Agriculture, June 9, 1982

I have submitted the text of my testimony on H.R. 6274, and I hope you will take time to study it carefully. I'm not going to read it now but rather, I will use this opportunity to summarize my overall reaction to this legislation.

I'm afraid the authors of this so-called "Farm Crisis Act" did not take the necessary time to analyze what could happen if this legislation were enacted into law. I say this, because I believe this bill would risk the future of American agriculture on a venture that may be more motivated by politics than by common sense. The greatest danger that I see in this legislation is in the possibility that it could be taken seriously.

This legislation is an attempt to deceive us into believing it will lead agriculture out of a crisis. Common sense tells us that this "Farm Crisis Act" is destined to lead us into a crisis situation.

We have taken time to analyze the ramifications of this legislation, and our conclusion is that it's just plain bad policy. Some of the consequences of this bill are explained in my testimony. A more detailed analysis will be submitted to you later on this week. Speaking to you as secretary of agriculture, I am very alarmed by this legislation. And speaking to you as a farmer myself, I am frightened by it.

I would encourage the authors to abandon this course and join us in helping agriculture where help is most needed. Let's concentrate more on really helping the farmers, rather than on who gets the credit.

I encourage this committee to not spend a great amount of time considering a bill that is misleading, self-defeating, dangerous and unwanted by farmers. It is better that you direct your valuable time toward attacking the real enemies of agriculture.

As a farmer, I know that interest costs and inflation stand out among all others as major burdens. We have tackled inflation and we have succeeded. But more work needs to be accomplished to lower those interest rates. And the only way we will achieve this is by

reducing government spending, not by raising taxes. When a farmer can't make ends meet—when his expenses are greater than his income—he has to find ways to cut his expenses.

This is nothing new to farmers. They have done it for years. They put their genius to work and they find ways to get through those valleys. I believe they expect the government to show that same genius. President Reagan is drawing upon this same kind of American character to bring soundness back into government. It won't be easy, but no one promised that it would.

I also encourage you to give full support to our efforts to expand export sales. That is another reason why it is so important to stop this legislation. At a time when market potential is so very important to the future prosperity of agriculture, it is equally important that our domestic policies do not work against our ability to compete even-handedly in the world marketplace.

The sponsors of this legislation are suggesting a continuous acreage limitation program that will send a clear signal to our world competitors that they can engage in a long-term expansion of their production. We all know what happened the last time we sent that type of signal. The Carter grain embargo of 1980 was a clear signal for our competitors to increase their production and pick up the market that we tossed aside. We are still plagued with the problems caused by that action. I don't think any of us want to send those types of signals anymore.

The truth of the matter is, this legislation is not in tune with today's farmers because farmers are not going to be willing to cut production, year after year, while farmers from other nation's take up the slack and the profit.

As you know, we have a voluntary acreage reduction program in gear, and the signup for that program has been impressive. There is a reason for this.

I firmly believe farmers have signed up in such great numbers because they believe in our sincerity. We have told them that we don't particularly like cutting production, but it was necessary this year for a variety of reasons. We have told them we would get out of these reduction programs as soon as the economic climate allows us to get out and we have told them we would protect the integrity of the program while they are in it. We have lived up to that promise.

The simple fact is, farmers cannot view H.R. 6274 with this same kind of trust. And here are some of the reasons why:

— Calling for a five-percent paid diversion program for the 1982 crops is unrealistic. With most of the crops already planted, it is naive for anyone to believe farmers would pull a plow into five percent of it. American agriculture wasn't built on poor management decisions like that.

— In the event that a referendum failed, the department would be severely restricted in its ability to design and implement farm programs. Farmers have told me, time and time again, that they want our programs simplified. There is nothing simple about basing next year's planted acreage on this year's beginning stocks in relation to last year's use. It won't work. In fact, according to the stocks-to-use triggers in this bill, a reduced acreage program would not have been implemented in 1982 for feed grains and cotton. You know what that would have meant!

This legislation also would blacklist a farmer from government programs for three years simply because he or she failed to comply with acreage limitation during the first year. Are we really ready to tie the hands of agriculture so severely?

— Another part of this legislation would mandate use of emergency agricultural credit under provisions of the Emergency Agricultural Credit Act of 1978. USDA already has authority to implement the credit program. But we haven't because an adequate amount of credit is already available to meet the demand. I sincerely hope the sponsors are not suggesting we lower our credit risk standards, simply to create more demand. Such action would not be very businesslike.

There are other similar flaws in this legislation which, as I said, are included in my testimony. So, let me end today by making one point very clear.

The programs designed by the Reagan Administration are in gear and the economic signs tell us they are already working. The signs of recovery are evident. It would be wrong to change the signals now. More so, it would be cruel to raise expectations when we know that we can't deliver.

We must also be aware of the consequences that will have to be faced by giving the whole Congress a renewed opportunity to examine

the 1981 Farm Bill. Many of you helped move this legislation through Congress, and I'm certain you recall the amount of time and work involved. By taking H.R. 6274 before Congress, you may find that your loses would be greater than what you had originally hoped to gain. And this is no time to be moving backwards.

Our programs are looking to the future—to greater and more prosperous days for American agriculture. On the other hand, this legislation is looking to the past—to the 1950's and 1960's—with massive amounts of land being idled and chronically low returns for farmers. These farmers are justified in being apprehensive about the prospects of this legislation.

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Testimony submitted by Secretary Block to the House Committee on Agriculture, June 9, 1982

I appreciate the opportunity to appear before you to discuss H.R. 6274. While we can all agree that agriculture is in the midst of difficult times, I believe that we must be careful in attempting to deal with this situation. Hasty, ill-chosen actions—however well-intentioned—can only cause more harm than good. Put simply, H.R. 6274 places politics front and center at the expense of our farmers and ranchers. Any of you who have ever farmed know that.

H.R. 6274 sets a dangerous course. If this legislation is adopted it will fuel the very crisis that it is intended to resolve. American agriculture could well be returned to an era like the 1950's and 1960's, with massive acreages being idled and chronically-low returns for farmers. America's farmers have a decided comparative advantage in the production of food for the world. What we do not need is a domestic commodity policy that works against our ability to compete in world markets.

Anyone who is truly concerned about the plight of the farmer will support the president's effort to bring down the deficit and reduce interest rates. As farmers themselves have experienced, interest costs stand out among all others as the major burden on the sector. For every 1 percentage point reduction in interest rates on the farm debt

outstanding, farm income will increase by close to $2 billion. There is no doubt that reducing interest rates will do more for farm incomes than any legislative package.

Clearly, last year's record production at home and good crops worldwide, along with weakened demand here and abroad, have caused commodity prices to fall. Lagging economic growth, high interest rates, and unemployment have all reduced the demand for U.S. farm products. As the dollar has strengthened—good news, generally—it has reduced the competitiveness of our agricultural commodities in export markets. The trade-weighted value of the dollar is up over 35 percent from its 1981 level. For some of our foreign customers this has meant a wheat price in their currency that is over 100 percent higher, despite a 10 percent decline in prices in terms of U.S. dollars.

So bringing down the deficits and interest rates do three very important things; it reduces farmers' production costs dramatically, it lowers the price that our foreign customers have to pay and it provides a better environment for domestic and foreign grain handlers and processors to hold larger inventories.

It is most important that we not lose sight of the strength that characterizes American agriculture; that is, the ability of 2.4 million farmers to respond to the price signals of the marketplace. The current downswing is difficult for farmers. But it is not something new. Good years followed by bad typify our agricultural history. And our price support program exists partly to soften the impact of those swings. Still, we must avoid taking actions that serve only to confuse the price signals between producers and consumers. Agriculture must be free to respond to market conditions. Anything less endangers the long-term viability of America's most important industry.

We are beginning to see some signs of improvement. Prices at the farm are still below year-ago levels, but they have risen approximately 8 percent since December.

The livestock sector is showing particular strength. This is significant because over 50 percent of gross farm income is derived from this sector.

In May, prices received by farmers for hogs were 43 percent higher than they were in December. Cattle prices were up nearly 17 percent. Broiler prices, while somewhat variable, were about 14 percent higher.

Recovery in our livestock markets has occurred because producers were able to respond to price signals. In the face of declining prices, significant adjustments in supplies—especially for pork—have been made by farmers. With reduced meat output, prices have rebounded upward.

The U.S. crop sector continues to reflect the impact of large world supplies, an exceptionally strong U.S. dollar, and favorable new crop prospects. However, grain and oilseed prices have been supported by increased Commodity Credit Corporation loan activity, heavy placements in the farmer-owned reserve, and some recovery in export demand.

We should not forget the important role that U.S. exports play in world trade. We provide three-fifths of the feedgrains that move in the world marketplace; two-fifths of the wheat; and three-quarters of the soybeans. Our domestic agricultural policies do affect world production and trade. For example, if U.S. loan rates are set too high, it encourages farmers in other countries to expand their production. Likewise, continuous acreage limitation programs in the United States are viewed as marketing opportunities by other exporting countries seeking to expand their production. While I am not opposed to temporary acreage reduction programs administered on a voluntary basis, the potential for perpetual land retirement under the rigid, mechanical, and mandatory provisions of H.R. 6274 concerns me. I am convinced it concerns most other farmers too.

The repercussions of the mistimed and misdirected actions that would result from the mechanistic features of H.R. 6274 extend beyond the farm gate. Our agricultural exports give rise to vitally important jobs and income within the domestic economy. Each $1 billion in lost wheat exports, for example, would cause a $2.2 billion reduction in GNP; a loss of 145,000 jobs; and lost personal income of over $1.5 billion.

In general, I believe that H.R. 6274 would have serious effects on the ability of the U.S. Department of Agriculture to offer commodity programs that improve the economic circumstances of farmers when they are under periodic market stress. Moreover, this bill would do significant damage to the competitive position of U.S. farmers in world markets.

Let me highlight some of the features of H.R. 6274:

- Producers of feedgrains, wheat, cotton and rice already enrolled in the 1982 program would be able to divert an additional 5 percent of their acreage and receive payment.
- A nationwide referendum of farmers would be held to determine whether 15 percent of the cropland base would be set-aside beginning in 1983 for conservation purposes.
- If the referendum is passed, commodity loan rates would be increased by 10 percent.
- Also, if the referendum is passed, farmers failing to comply would be denied access to all federal farm programs for three years.
- If the referendum is defeated, a mechanistic voluntary acreage reduction program would be mandated when carryover stocks reach predetermined levels.
- Compliance in the voluntary acreage reduction program at a 15 percent set-aside level would qualify a farmer for a 5 percent (10 percent for cotton) loan rate increase. Farmers would also have the option to idle a higher proportion of the previous year's plantings in return for a greater increase in the loan rate.

In addition:

- Farm storage facility loan program guarantees would be provided up to a total of $250 million per year.
- Barter of agricultural commodities for strategic and critical materials would be encouraged.
- Emergency agricultural credit would be mandated under provisions of the Emergency Agricultural Credit Act of 1978.
- The agricultural export credit revolving fund should be funded at $1 billion for FY 1983.

I have serious reservations about many of these provisions. A 5 percent paid diversion program for the 1982 crops would not be effective. It is too late in the planting season to ask producers to alter their production decisions. Farmers already have prepared their ground and invested in seed and fertilizer. Feedgrains and other crops have largely been planted. Wheat is already being harvested. I see little reason to expect any major change in farmers' 1982 participation decisions due to a paid diversion program. Any impact on 1982 crop prices and income would be minimal, at best.

H.R. 6274 would require that a general referendum be held each July to determine if farmers want to place 15 percent of their acreage in a national cropland conservation program. A set-aside would be implemented if 55 percent of those producers voting in the referendum approved. Farmers choosing not to comply with the set-aside would lose all federal farm program benefits (e.g., loan and reserve provisions, crop insurance, FmHA programs, conservation programs, etc.) for a three-year period.

This raises at least two serious problems. First, for some individuals, the incentive to vote in favor of the referendum with no intention to comply might be considerable. A second problem is that for those farmers choosing not to comply, there will be no means for helping them should a severe market downturn occur in the succeeding two years during which they would be ineligible. Some may reason that Congress will offer future versions of H.R. 6274 anyway, so why comply.

Even if the producer referendum were to fail, the department would be severely restricted in its ability to design and implement farm programs. The predetermined trigger levels based on U.S. ending stocks would leave no choice but to implement acreage reduction programs. History shows that such rigidity is an open invitation to chaos in the farm sector. The current year provides ready example of the harm that would be done under the rigid provisions of H.R. 6274.

According to the stocks-to-use triggers in this bill, a reduced acreage program would not have been implemented in 1982 for feedgrains and cotton because of the drought-damaged 1980 crop which reduced the carry-in for 1981.

Specific problems with the mechanical acreage reduction process can also be cited. It is not clear that the 5 percent stocks-to-use trigger for wheat, the 18 percent trigger for feedgrains, and the 4.2 million bale trigger for cotton are appropriate. Also, the notion of basing next year's planted acreage on this year's beginning stocks in relation to last year's use is perplexing and misleading. Demand will be related to conditions in the upcoming year—having little to do with usage last year.

If we are to have public intervention in the markets for agricultural commodities it must be in concert with the workings of the

marketplace, and not causing confusion in the price signals consumers and producers depend upon.

I believe that our competitors would welcome the rigidity and certainty of adjustment on the part of the United States that H.R. 6274 requires. This year, for example, we have implemented an acreage reduction program and taken other actions, on a unilateral basis, to bring supplies more closely into line with demand. Even with a temporary program such as the one we have now, producers in other exporting countries are offsetting our efforts through their increased planted acreages. This problem would be exacerbated with the rigid provisions of H.R. 6274. It raises the question. "Just who is this bill trying to help?"

Canadian producers, for instance, have indicated their intention to increase wheat acreage by 3 percent in 1982. If this intention materializes, Canadian producers will have expanded acreage by 20 percent in 3 years, contributing in a significant way to the current burdensome world supply situation. Australian wheat acreage may be up 4 percent or more in 1982, after a 5 percent increase in 1981. Argentina's acreage may continue to rise following a 15 percent increase during the past 2 years. At the same time, wheat production in the European Community, principally in France, continues to grow under an export subsidy program and increased price guarantees. Acreage expansion in these exporting countries seriously undermines U.S. efforts to reduce world wheat supplies, and strengthen prices for producers in this country and around the world.

The market is signaling that a reduction in output is needed this year, and many U.S. producers are responding by idling acreage. Other exporters are applauding U.S. farmers' actions as being beneficial to world prices and at the same time expanding their own production. It is not surprising that U.S. farmers are extremely and justifiably upset as they see our competitors taking over world markets while they reduce output.

I am aware that the Congressional Budget Office estimated there would be substantial budget savings over the life of H.R. 6274. USDA analysts are also examining the budget implications of this bill. What seems clear from both these analyses is that there would be an increase in outlays during FY 1983. Because agriculture operates in an

environment of uncertainty—due to climatic, economic and other uncontrollable factors—it is difficult to place much credence in budget estimates for future years.

Furthermore, the bill's provisions are so complicated and depend on so many unknowns, such as the acceptance or rejection of referendums, that it is difficult to analyze the short-term impacts. Budget outlays—either costs or savings—are not the only issue; even more crucial is that in the long-term this bill would shrink America's agriculture base, which is presently the most productive in the world.

Turning to the other provisions of H.R. 6274, I do support the use of credit programs to promote agricultural exports. As you know, we are providing $5 billion in export credit guarantees plus $3 billion through P.L. 480 over the FY 1982-83 period. These programs are working well and I believe it is preferable at this time to work within existing authorities to promote agricultural exports. Also, the necessary authorities for the farm storage facility loan program already exist.

USDA also has the necessary authority to implement the economic emergency loan program. However, adequate credit is available and at this time most farmers have already obtained the credit necessary to plant their crops. Recent surveys by the American Bankers Association and the Federal Reserve indicate that member banks plan to continue to work with their farm borrowers to ensure that necessary credit is available. The Farm Credit System continues to provide funds. As a lender of last resort, the Farmers Home Administration stands ready with its regular credit programs.

Only five months ago, the Congress passed and the president signed into law the Agriculture and Food Act of 1981. The 1981 Act establishes or continues the authorities necessary for wheat, feedgrains, cotton, rice, peanut, soybeans and other programs. In addition, the Act provides the authorities for a grain reserve program and an export revolving fund subject to the availability of appropriated funds.

Despite its comprehensive coverage, some have called the 1981 Act a "do-nothing" bill. This has not been the case. The 1981 Act, for example, provides a level of target price coverage for the 1982 crop that is comparable to that in earlier legislation.

Overall, nearly $11 billion in net outlays will be distributed to farmers in connection with 1982 crops under provisions of the 1981

Act. Net outlays for ongoing CCC price support programs—which are designed to provide flexibility in dealing with surplus production situations such as we are now facing—will increase by around $6-1/2 billion in FY 1982.

Under the provisions of the 1981 Act, wheat, cotton, and rice producers have been asked to reduce their plantings by 15 percent. Feed grain producers have been asked to reduce their plantings by 10 percent. Wheat and feed grains will be eligible for reserve loans immediately after harvest for those who have participated in the program. Special reserve loan rates have also been increased substantially—the wheat reserve loan rate by 50 cents and the corn reserve loan rate by 35 cents.

Our acreage reduction program, together with the higher loan rates that we have offered with the farmer-owned reserve, will lead to an improved economic situation for farmers. Critical to such a conclusion, of course, is farmers' participation in the announced programs. There is every indication at this point that they will do just that. The final acreage reduction sign-up report showed that farmers had enrolled over 186 million acres of feedgrains, rice, cotton and wheat base acreage in the 1982 acreage reduction programs. This represents 81 percent of the total base acreage. As of June 4, farmers in 18 states certified a total of 10.5 million acres of wheat or 38 percent of the base acreage. Final compliance will depend upon changes in the market between now and the compliance deadlines. The enrollment figures so far indicate, however, that this nation's farmers are willing to take charge and make needed adjustments.

Again, let me reiterate, I recognize that some farmers are having difficulty. Programs are being offered under the provisions of the 1981 Act to assist them.

Farmers do not want their income to come from the federal government; they want it from a strong market. Thus, while we will provide needed assistance, we must not jeopardize the development of markets that our farmers must have for their longer-term prosperity. This administration had such a concern in mind when it ended the Soviet grain embargo.

More recently, the president has given strong and explicit notice of this nation's intention to be a reliable supplier of agricultural exports. I

have undertaken significant trade missions to promote trade and to vigorously state our position opposing trade barriers and unfair trade practices. All this was needed to try and undo some of the damage that the Carter embargo did to our reputation as a reliable supplier.

To summarize, we have a good set of programs in place. If anything, you should be encouraging farmers to participate in these programs and to help themselves during this difficult period. H.R. 6274 is not the answer. It offers rigid programs that have failed in the past, are failing right now in dairy, and would fail again in the future for grains if this legislation is enacted.

Such an approach jeopardizes our position in world trade and will only work to farmers' long-term disadvantage. The mechanical nature of H.R. 6274's provisions is certain to yield nonsensical results and offers an open invitation to producers in other countries to expand their production at the expense of American farmers.

As secretary of agriculture, I would like nothing better than to come before you and say: Yes, this is a good bill, it will help farmers. But I cannot. My responsibility is to the farmers of this country. Potential short-term relief for purely political reasons at the expense of the longer-term viability of our agricultural industry is clearly self-defeating and not in the interests of either farmers or society.

H.R. 6274 is truly a crisis bill, for a crisis in agriculture would be created with its enactment.

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Statement by Deputy Secretary of Agriculture Richard E. Lyng before the House Committee on Agriculture, Subcommittee on Livestock, Dairy and Poultry, June 9, 1982

It is a pleasure to have this opportunity to testify in support of H.R. 6404, the administration's proposal to bring the dairy support program under control. In general, the U.S. dairy price support program performed very well during the 1960's and 1970's. It assured adequate supplies of dairy products at reasonable prices to consumers as it was intended to do. Now, however, there are serious problems with the program which demand solutions. Program costs have skyrocketed from

$46 million in FY 1979, to $1 billion in FY 1980, then to $1.93 billion last fiscal year, and we are expecting net outlays of $1.94 billion this fiscal year. Costs to the government are over forty times as great as they were just three years ago. Costs of this magnitude simply cannot be allowed to continue.

The Reagan Administration supports the need for a dairy price support program. We accept the public policy which provides for adequate, steady supplies of pure, wholesome milk at reasonable prices. To do this requires a program which provides dairy producers an adequate return. This can be done, but it must be done at substantially lower costs to the government. Before discussing our specific proposal, it may be of value to review the recent history of the program.

Prior to 1977, dairy legislation required the secretary of agriculture to support the price of milk between 75 and 90 percent of parity on an annual basis. Even though it was not specifically required by law, the usual procedure was to make a smaller price adjustment in the middle of the year to maintain the support level and to avoid having to make a very large price adjustment at the beginning of the next milk marketing year.

The Food and Agriculture Act of 1977 increased the minimum support level from 75 to 80 percent of parity and mandated a mid-year adjustment of the support price. When the 1977 Act was passed, there were reservations about mandating a minimum 80 percent of parity with semiannual adjustments. That is the reason the 1977 provisions were enacted for only two years. In 1979, the impact of these changes was not yet fully apparent—program costs were still low—and as a result, these provisions were extended for two additional years. When production began to increase rapidly in FY 1980, it became clear that continuing support prices at 80 percent of parity with semiannual adjustments was a major mistake.

Here is what has happened since FY 1979:

Year	Support Price	Milk Production	Commercial Use	CCC Net Removals	CCC Net Outlays
	Dol./cwt.	*Bil. lb.*	*Bil. lb.*	*Bil. lb.*	*Mil. dol.*
FY 1979	9.87/10.76	122.6	120.1	1.1	46
FY 1980	11.49/12.36	127.3	119.3	8.2	1,031
FY 1981	13.10	131.7	120.0	12.7	1,934
FY 1982[1]	13.10	135.5	122.0	13.3	1,941

[1]Estimated.

The 80 percent of parity requirement increased the milk support price level from $9.87 per hundredweight at the beginning of FY 1979 to $11.49 per hundredweight at the beginning of FY 1980. During FY 1980, milk production increased 4.7 billion pounds, commercial use dropped 800 million pounds, and CCC net removals increased 7.1 billion pounds.

By FY 1981, the 80 percent of parity requirement had increased prices from $11.49 to $13.10 per hundredweight, milk production increased another 4.4 billion pounds, and CCC net removals increased 4.5 billion pounds. In FY 1981, CCC purchased 12.7 (milk-equivalent) billion pounds of butter, cheese, and nonfat dry milk at a cost of $2.0 billion—CCC net expenditures were $1.9 billion. FY 1982 net expenditures are now expected to be near the FY 1981 level.

It is wrong to blame milk producers for the overproduction problem. The problem was not caused by producers—it was caused by those in government who did not have the foresight to see what would happen with the passage of legislation that provided for inflexible adjustments in the price support level which bore no relationship to the marketplace. Dairy producers did what any other producer would have done. They reacted to the price signals that were being sent. The trouble was that the price signals did not come from the marketplace. The government was sending the signals—and the signals were wrong.

Surely the one lesson that we should have learned is that minimum dairy price supports mandated by law can cause serious problems.

When this administration took office, the program was out of control. An early decision was made to hold the price line. A proposal was made to eliminate the semiannual price increase that was scheduled for April 1, 1981. With the help of the Congress, the administration was able to hold the support rate at $13.10 per hundredweight, rather than raise the price support level as called for in the 1977 Act. The second step was to seek legislative authority in the new farm bill to forego any further price support increase until milk production was brought into balance with the consumption of dairy products. We faced some strong opposition, but we were able to achieve significant moderations in annual price support increases.

It is now clear that the legislative changes made last year did not go far enough. We will spend $6 billion between now and 1985 unless we solve the basic overproduction problem. As of June 4, 1982, we had 437 million pounds of butter, 703 million pounds of cheese, and 1,069 million pounds of nonfat dry milk in government storage—a total of nearly 16 billion pounds milk-equivalent—and these stocks are continuing to increase at an alarming rate. The rigid price support increases scheduled in the 1981 farm bill could more than double government stocks by 1985. We must not let that happen.

Dairy producers understand the problem and they want a solution. They recognize that continued government costs at current levels could well bring an end to their price support program.

The Reagan Administration's dairy package covers many areas—disposition of surplus stocks, research, product promotion and market development—much of which does not require further legislative authority. We are, however, requesting legislative authority in three areas. (1) authority for the secretary of agriculture to set the price support; (2) establishment of a dairy advisory board; and (3) amendments to Section 416 of the 1949 Act to allow the Commodity Credit Corporation (CCC) to donate dairy products overseas and to permit domestic donation of these products to needy households.

Discretionary authority to set the price support does not mean that the price support would drop. We are approaching a critical phase in the

dairy production cycle which could establish the production pattern, up or down, for the next several years. The rate of increase in milk production has been slowing since the first of the year and may even begin to drop below year-earlier levels in the coming months. At a crucial turning point like this, price expectations are extremely important. Dairymen are making production plans now; congressional action is essential, now!

The secretary of agriculture has pledged, if given the authority, not to adjust the present support level until Jan. 1, 1983. In the event that milk production has not begun to decline, we believe that the price support will have to be lowered, to perhaps as low as $12 per hundredweight at that time. Clearly, timing has become extremely important. The sooner that Congress gives a clear signal to the industry by providing discretionary authority to the secretary to lower the support price if necessary, the greater the likelihood that no reduction or a more modest reduction in the support price will be needed.

We are fully aware that there is opposition to the granting of full discretionary authority to the secretary of agriculture to determine a proper price support level. In the past, the Congress has insisted upon some mandatory minimum price support level. May I submit that this rigid requirement has, since 1977, created the massive problem that we face today. The blunt fact is that the Congress often moves too slowly, and, yes, sometimes even too politically, to make timely and critically needed adjustments in the level of dairy price supports. What may seem like a reasonable minimum dairy support price today may, in fact, turn out to be too high in a year or two. The secretary of agriculture must be given authority to set the dairy support price level as a practical step toward effective, responsible government.

The Reagan Administration would put a major constraint on the secretary of agriculture by requiring that he provide a support price level which will "assure an adequate supply of pure and wholesome milk." No secretary of agriculture would be permitted to lower the support price to a level which would so discourage dairymen that a milk shortage would result.

May I respectfully remind this committee that this is the third time in fifteen months that I have testified before you asking for a change in dairy legislation. In both of the earlier instances new laws resulted. Yet

here we are again. The Congress is not the place to determine dairy support levels. This should be done by the secretary of agriculture. Please give it a try.

To assist the secretary in using his discretionary authority to set the milk price support, we are also requesting authority to establish a dairy advisory board consisting of dairy producers and others knowledgeable of the industry. Board members would advise the secretary on a wide range of dairy issues, including the setting of price support levels and the disposition of government-owned inventories of dairy products.

Finally, we are requesting a statement of Section 416 authority whereby the Commodity Credit Corporation will be able to donate dairy products for use abroad. This authority would provide for direct CCC donations abroad, in addition to the P.L. 480 programs, and would facilitate constructive uses by the CCC of its surpluses while allowing the United States to enhance its role in responding to food needs of hungry people around the world. The amendments to Section 416 would also authorize expanded distribution to needy households in the United States, which is currently prohibited, except in very limited circumstances.

I will not go into the specifics of the other parts of our dairy program that do not require legislative action. The program is extensive and materials describing each of the separate parts have been supplied to the committee.

The dairy price support program has worked well in the past and it can continue to work well in the future. The strength of our proposal is in its basic simplicity. It does not require a large new bureaucracy to function. It gives clear price signals to producers, and buffers producers and consumers from seasonal and cyclical price instability without distorting the long-term price signals needed for long-range planning in this industry.

The fact that the price signal has been wrong since 1979 is not the fault of dairymen and it is not the fault of the program. Some of the same persons who opposed our legislative proposals last year are now admitting the program has failed and the program needs drastic restructuring. Now, some are urging the adoption of quota or allotment plans based upon past production. Others wish to establish a producer dominated board to set prices and dispose of surpluses.

Mr. Chairman, the market system will work if allowed to function. Dairymen will be far better off if the government gives them the opportunity to determine, for themselves, how much milk they wish to produce. We must not create a vast bureaucracy to make production decisions and operate the system. We cannot tell producers that they must give-up their freedom to make their own decisions and to accept production bases and complex pricing plans as part of the price of being allowed to produce milk.

We have had experience with supply control plans in the 1930's and late 1940's—they didn't work then and they will not work now. For these reasons, I urge you to accept the dairy program the Reagan Administration has offered which will assure viability to the entire dairy industry.

Thank you.

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News Releases

U.S. Department of Agriculture • Office of Governmental and Public Affairs

USDA PROTECTS 15 NEW PLANT VARIETIES

WASHINGTON, June 4—The U.S. Department of Agriculture has issued certificates of protection for new varieties of garden bean, garden pea, red clover, cotton, soybean, tall fescue, squash and durum wheat.

Thomas H. Porter, an official with USDA's Agricultural Marketing Service, said owners of the new varieties will have the exclusive right to reproduce their products in the United States for 18 years. Certificates of protection are granted, he said, after a review of the breeders' records and their claims that each new variety is novel, uniform and stable.

Among the newly protected varieties are Empress garden bean developed by Agrigenetics Corp., Bloomington, Minn.; Ruby red clover developed by Dairyland Seed Co., Inc., West Bend, Wis.; Stoneville 506 cotton developed by Stoneville Pedigreed Seed Co., Inc., Stoneville, Miss.; and Falcon tall fescue developed by E.F. Burlingham and Sons, Forest Grove, Ore.

Asgrow Seed Co., Kalamazoo, Mich., received certificates of protection for Krilla, Bonnaire and Trolly garden pea.

Newly protected soybean varieties include 2180 and 2480 by Pioneer Hi-Bred International, Inc., Des Moines, Iowa; DeSoto by Kansas Agricultural Experiment Station, Manhattan, Kan.; J103 by Jacques Seed Co., Prescott, Wis.; RA-680 by Ring Around Products, Inc., Plainview, Texas; and TS250 by Northrup King Co., Minneapolis, Minn.

Also protected were Bunutkin squash developed by Charles Tateosian, Andover, Mass., and Westbred 803 durum wheat developed by Western Plant Breeders, Phoenix, Ariz.

The plant variety protection program is administered by USDA's Agricultural Marketing Service. It provides patent-like protection to developers of new and distinctive seed-reproduced plants ranging from farm crops to flowers.

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NONCERTIFIED EGG PRODUCER GROUPS MAY APPLY FOR CERTIFICATION

WASHINGTON, June 7—The U.S. Department of Agriculture is currently accepting certification applications from all noncertified egg producer groups interested in nominating members to the American Egg Board.

Vern Highley, administrator of USDA's Agricultural Marketing Service, said these groups have until July 2 to file requests for certification. "We will soon request nominations to replace nine board members and their alternates whose two-year terms expire at the end of 1982," Highley said. "Only egg producer groups that are also certified by the secretary of agriculture as eligible to nominate members will be allowed to submit nominees."

The current 18-member board administers research and promotional projects designed to strengthen the egg industry's position in the marketplace. These activities are carried out under the egg research and promotion order, authorized by the Egg Research and Consumer Information Act.

Groups interested in receiving certification forms and information on eligibility should contact Janice Lockard, AMS, rm. 2620-S, USDA, Washington, D.C. 20250. Her telephone number is (202) 382-8132.

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USDA RESOLVES NINE ANIMAL WELFARE CHARGES IN FIVE-MONTH PERIOD

WASHINGTON, June 7—Nine charges of violating the Animal Welfare Act were resolved from January through May, resulting in fines and other penalties because animals were not provided proper care, according to an official of the U.S. Department of Agriculture.

In addition, 18 new charges of violating the act were inititated during this five-month period, according to John K. Atwell, deputy administrator for USDA's Animal and Plant Health Inspection Service. Persons or firms charged will be prosecuted under administrative law, he said.

Atwell said standards for the care and treatment of certain animals have been required by the Animal Welfare Act since 1966. Animals protected by the law must be provided adequate housing, handling, sanitation, food, water, transportation, veterinary care and protection against extremes of weather and temperature.

Dealers and breeders as well as brokers, transportation companies, exhibitors and research facilities must be licensed or registered. USDA personnel make periodic unannounced inspections to help assure compliance. Standards of humane care and treatment of animals must be met, or the person responsible can be prosecuted.

If inspections and warnings do not lead to compliance, USDA prosecutes, Atwell said. The 18 persons and organizations recently charged with violating the act have an opportunity to respond to charges and request a hearing before an administrative law judge. The nine prosecutions resolved this year resulted from earlier charges. They involved an independent company, three individuals, a partnership, a municipal government and three commercial airlines.

The outcome of those nine cases was:

(em Charles Hazzard, an unlicensed dog dealer in Honey Brook, Pa., consented to pay a $500 fine. He also agreed either to get a license and abide by federal animal welfare requirements or to liquidate his business.

(em Frontier Airlines of Denver, Colo., in a consent settlement, paid a $500 penalty.

(em Trans World Airlines, Inc., of New York, N.Y., consented to pay a $1,000 penalty. The company further agreed to notify all employees who handle animals that they are to comply with the regulations and standards of the act.

(em Wien Air Alaska of Anchorage, Alaska, consented to pay a $5O0 penalty.

(em Cecil and Bessie Carter of Bonham, Texas, consented to a cease-and-desist order. They specifically were ordered to refrain from selling regulated animals in commerce without first obtaining a license.

(em Edward G. Fabry of New City, N.Y., has agreed to pay a $150 penalty and to cease and desist from further violation of the act. He specifically agreed to provide inspectors with access to his premises and to maintain records of sales and purchases of regulated animals.

(em W. L. Dudley, of Creston, Iowa, after a hearing, was ordered by an administrative law judge to pay a $500 penalty and to cease and desist from further violation of the act. She specifically was ordered not to interfere with any USDA employee inspecting her animal facilities and to not operate as a dealer until she receives a new license.

(em Affiliated Medical Research, Inc. of Trenton, New Jersey, has agreed to cease and desist from future violations of the act. The firm also specifically agreed to provide APHIS inspectors with access to their facilities.

(em New York City's Department of Parks, Recreation and Cultural Affairs has agreed to cease and desist from future violations to settle a charge that its Prospect Park Zoo in Brooklyn had operated with numerous deficiencies from 1979 to 1981. The zoo has been in compliance with federal reqquirements since August 1981.

If a USDA inspector finds a deficiency, USDA allows the licensee a reasonable time to make corrections, Atwell said.

"It all boils down to a simple thing," he said. "Whether you're a dealer, a breeder, a research facility, an exhibitor or a carrier, treat all animals with proper care. The animals depend on it—the law requires it."

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STATES NOW MAY KEEP PART OF COLLECTIONS FOR FOOD STAMP OVERPAYMENTS

WASHINGTON, June 7—States now will be able to keep 25 percent of the money they recover from people who have received too many food stamps, Assistant Secretary of Agriculture Mary C. Jarratt said today.

"This is designed to encourage states to recover money that's been overissued because of mistakes recipients make when filing for food stamps," Jarratt said.

The U.S. Department of Agriculture estimates this change, which was authorized by the Omnibus Reconciliation Act of 1981, allows states to keep about $1 million this fiscal year as a result of overpayments

attributed to these mistakes, which are termed "non-fraud recipient errors."

Since January 1980, states have had a similar financial incentive to recover money overissued to food stamp clients who committed fraud against the program. States already are keeping 50 percent of the money they recover from food stamp recipients who have received food stamps fraudulently.

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"SODIUM—THINK ABOUT IT. . ."

WASHINGTON, June 7—Most Americans consume far more sodium from salt and other sources than is necessary, according to experts at the U.S. Department of Agriculture and the Food and Drug Administration.

"Sodium occurs naturally in food, or is added during processing and cooking or at the table," said Donald L. Houston, administrator of USDA's Food Safety and Inspection Service.

"Studies have shown that most Americans eat far more sodium than they need," he said. "Eating too much sodium can be one of several factors that contribute to high blood pressure. Untreated high blood pressure can lead to heart attacks, strokes and kidney disease.

"Consumers can reduce their sodium intake if they know the sodium content of specific foods, learn to recognize ingredients that contain sodium and plan meals containing less sodium," Houston said.

Fresh or raw foods are often lower in sodium than many processed foods—some product labels contain information about the sodium content. Lemon juice, onion, vinegar or spices or herbs such as paprika and pepper can be used instead of salt to add zest to foods, he said.

As part of a consumer education campaign about sodium, USDA and the Food and Drug Administration have published a booklet "Sodium—Think About It."

Single free copies of the publication can be ordered from the Consumer Information Center, Pueblo, Colorado, 81009. Bulk copies are available from the USDA-FSIS Publications Office, Rm. 1163-S,

Washington, D.C. 20250. That office can also provide negatives to organizations which want to print and distribute their own copies.

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EGG PACKER SENTENCED FOR VIOLATING EGG LAW

WASHINGTON, June 8—The U.S. District Court for New York's Eastern District has found Vito Loconte, president of Loconte's Jersey Lynne Farms, Inc., guilty of illegally selling and transporting adulterated egg products without continuous inspection. The Brooklyn, N.Y., egg packer was fined $1,000 and placed on two years probation.

Loconte's corporation was also fined $2,000 after pleading guilty to two counts of illegally selling and transporting adulterated egg products.

Vern Highley, administrator of the U.S. Department of Agriculture's Agricultural Marketing Service, said the actions violated the Egg Products Inspection Act, which USDA administers.

Compliance with the act assures that only wholesome shell eggs and egg products are available in the marketplace.

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USDA'S NATIONAL RURAL DEVELOPMENT COUNCIL TO MEET JUNE 23-24

WASHINGTON, June 8—The U.S. Department of Agriculture's National Advisory Council on Rural Development will meet in Moline, Ill., June 23 and 24. Frank W. Naylor, undersecretary for small community and rural development, said the council will discuss rural development strategy.

Created in mid-February by Secretary of Agriculture John R. Block, the council advises the secretary on rural development needs, goals and plans. A primary function of the council is to provide the secretary with advice on the development of the national rural development strategy mandated by the Congress.

The council held its initial meeting in Washington in May. The June meeting will be at corporate headquarters of the John Deere Co. in Moline.

All meetings are open to the public.

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ROBERTSON NAMED FOREST SERVICE ASSOCIATE CHIEF

WASHINGTON, June 8—F. Dale Robertson today was named associate chief of the U.S. Department of Agriculture's Forest Service, the number two spot in the agency.

Robertson, a career Forest Service employee, succeeds Douglas R. Leisz, who is retiring at the end of June.

Appointment of Robertson was announced today by Secretary of Agriculture John R. Block.

As associate chief, Robertson will assist Chief R. Max Peterson in administering Forest Service programs, with responsibility for the day-to-day activities and operations of the agency. Prior to today's action, he was an associate deputy chief with the agency.

Robertson's career with the Forest Service includes a broad range of assignments. He joined the agency in 1961 after receiving a bachelor's degree in forestry from the University of Arkansas at Monticello.

His early assignments were in the South, including positions as an assistant district ranger on the National Forests in Texas and as district ranger on the Ouachita National Forest in Oklahoma.

From 1968 to 1972, he was a management analyst at Forest Service headquarters in Washington, D.C. He received a master's degree in public administration from The American University in Washington, D.C., in 1970.

In 1972, Robertson moved to the Pacific Northwest Region, where he served as forest supervisor for more than 6 years on the Siuslaw and Mt. Hood National Forests in Oregon. He returned to Washington, D.C. as assistant to the deputy chief for programs and legislation in 1980 and was named to his current position as associate deputy chief for programs and legislation in 1981.

Block said Robertson's recent experience in Forest Service field assignments would be a valuable asset in administering the programs of the decentralized agency.

Doug Leisz is retiring after a 32-year career with the Forest Service, during which he rose from a nursery assistant in California to the top ranks of the agency.

Leisz received his forestry degree from the University of California at Berkeley in 1950. After his nursery assistant job on the Shasta National Forest, he served in various staff assistant and district ranger assignments on national forests in California.

He was supervisor of the Eldorado National Forest 1962-67. In 1967, he moved to the Pacific Northwest Region in Portland, Ore., as assistant regional forester.

In 1969, Leisz came to Forest Service national headquarters in Washington, D.C., to administer the agency's manpower and youth conservation programs.

Leisz returned to the California Region as regional forester in 1970. While in that position, he served as federal representative to the Lake Tahoe Regional Planning Agency. He returned to Washington, D.C., as deputy chief for administration and was named associate chief of the agency in 1979.

In 1980, Leisz received a Presidential rank award of "Distinguished Executive" for demonstrating outstanding leadership, motivation and ingenuity through many years of service as a career federal manager.

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FAST-GROWING CHINESE BACTERIA MAY SPEED U.S. PLANT GROWTH RESEARCH

WASHINGTON, June 9—A quick-growing nitrogen-fixing bacteria from China may speed up soybean research in the United States, a U.S. Department of Agriculture scientist said today.

Harold Keyser, a microbiologist with USDA's Agricultural Research Service at Beltsville, said the bacteria—taken from the roots of Chinese soybeans—have grown three times faster than other soybean Rhizobium bacteria in the United States.

"At first, we assumed these bacteria were not the real thing because they grew so fast," Keyser said. "Then they formed nodules with several soybean varieties, so we knew they were real."

One soybean variety on which the Chinese bacteria have formed root nodules that effectively fix nitrogen is named "Peking," an ancestor of many American varieties.

Keyser said the task now facing researchers is to exploit the fast growth to improve nitrogen fixation in American soybeans, one of the country's major export crops. Genetic engineering may offer a solution.

At the same time, studies of the Chinese bacteria are expected to yield new clues to help capitalize on nature's nitrogen-fixing process for soybeans, said Terry B. Kinney, Jr., Agricultural Research Service administrator.

Increasing the efficiency of nitrogen fixation in plants, he said, is a target of the USDA agency's basic research efforts.

So far, an obstacle in genetic studies has been the slow rate at which soybean bacteria grow to form nodules, Keyser said. The Chinese bacteria may overcome that handicap.

An understanding of the attraction between nitrogen-fixing bacteria and soybeans is important, according to Deane F. Weber, a collaborating soil microbiologist at Beltsville, because the bacteria turn free nitrogen from the air into protein that soybean plants draw on for growth.

When these bacteria invade a soybean root, he said, the root swells into a round nodule. The plant provides nutrients for the development of the bacteria inside the swelling, in exchange for the nitrogen-containing proteins which the bacteria produce.

Soybean seeds routinely are coated with Rhizobium during planting to promote root nodule formation.

If the Chinese bacteria can be used effectively in soybean production in the years ahead, Weber said, it might mean an increased source of nitrogen for farmers using Rhizobium—now providing an estimated $1 billion worth of nitrogen fertilizer annually to the soybean industry.

Keyser and Weber have been collaborating in the studies with B. Ben Bohlool of the University of Hawaii and Tsi Seng Hu from the People's Republic of China, following expeditions in 1978 and 1979 to China to collect the bacteria. Hu brought more of the bacteria to the

country in 1980 when he came to work in the USDA Cell Culture and Nitrogen Fixation Laboratory at Beltsville.

Of some 60 bacterial strains from China, 11 proved to be fast growing. These bacteria, said Keyser, are "very unusual in comparison to the 300 other soybean strains in the Rhizobium collection at Beltsville. An international bank of these bacteria is maintained there for research.

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PUBLIC COMMENT PERIOD EXTENDED ON NATIONAL FOREST PLANNING REVISIONS

WASHINGTON, June 9—Due to the high level of public interest in proposed changes in national forest system planning regulations, the public will have additional time to comment on the proposals, Secretary of Agriculture John R. Block said today.

Comments on proposed changes to regulations governing land and natural resource management planning for the 191 million-acre national forest system now will be accepted until July 6, Block said.

Block said the regulations affect future planning for a wide variety of national forest system management activities administered by USDA's Forest Service. These include timber harvesting, protection of fish and wildlife habitats, range management, wilderness management, integrated pest management and public involvement.

In addition to extending the comment period, Block said a meeting to discuss the major topics involved in the proposed revisions will be held June 30-July 2 at the West Park Hotel, 1900 North Fort Myer Drive, Rosslyn, Va. Members of the former Committee of Scientists, who advised and assisted the USDA in the preparation of the current regulations, will attend the meeting as consultants.

The meeting is open to the public. Attendees should register by June 23, by contacting; Charles R. Hartgraves, Director, Land Management Planning, Forest Service-USDA, P.O. Box 2417, Washington, D.C. 20013; telephone (202)447-6697. Comments on the proposed planning revisions should be sent to the same address.

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USDA PROPOSES REVISING GRADE STANDARDS FOR FROZEN PEAS

WASHINGTON, June 10—The U.S. Department of Agriculture today proposed revisions of the U.S. grade standards for frozen peas to bring them in line with the standards used by the Food and Drug Administration and those recommended by the Codex Alimentarius Commission, a multinational body that sets international food standards.

USDA developed the proposal at the request of the frozen food industry, according to Charles Brader, a marketing official with USDA's Agricultural Marketing Service. Comments should be submitted to USDA by Sept. 30.

Brader said the proposal is based on FDA's standard of identity and minimum standard of quality for frozen peas and the recommended international standards for quick frozen peas established by Codex.

The proposal also incorporates the attributes concept for grading, to replace the current system of numerical scoring of quality factors. The attributes concept classifies defects in quality according to severity, using the categories of minor, major, severe and critical. The number of defects in individual samples could not exceed specified limits, in each of the categories, for each grade.

The proposal provides for an objective step-by-step procedure for continually reporting on-line product quality so that product acceptance could be determined at any stage of production.

To simplify the grade nomenclature, USDA proposes to eliminate the optional use of "U.S. Fancy" for Grade A, "U.S. Extra Standard" for Grade B and "U.S. Standard" for Grade C.

The proposal is scheduled to be published in the June 10 Federal Register, available at many public libraries. Written comments should be sent in duplicate to the Hearing Clerk, rm. 1077-S, Washington, D.C. 20250.

The Agricultural Marketing Service establishes grade standards and provides official grading for many food products. Use of the grading service is voluntary and paid for by the user.

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USDA CONSIDERS CANCELLING FOUR PLANT PEST QUARANTINES

WASHINGTON, June 10—The U.S. Department of Agriculture is considering cancelling interstate quarantines against the golden nematode, pink bollworm, witchweed and gypsy moth.

"We're making this announcement now—before we make a formal proposal—to give state officials, industry and the general public adequate time to prepare for these possible actions," said Harvey Ford, deputy administrator of USDA's Animal and Plant Health Inspection Service. "We'll ask for public comments when we make the formal proposal—well in advance of any final decisionmaking."

The pests, areas that would be affected and the reasons for the possible cancellations, are:

— The golden nematode, a pest of potatoes, occurs only in New York—on Long Island and in a small area upstate.

"Our program has successfully demonstrated that cultural practices, pesticides and use of resistant varieties can provide good control," Ford said. "These tools are available to New York and farmers in the golden nematode infested areas, who would be assuming responsibility for the program if federal involvement ends."

— The pink bollworm, a cotton pest, has been kept out of the San Joaquin Valley and areas east of the Mississippi River through various means, including release of sterile insects. Matings between native bollworm moths and the sterile moths result in sterile eggs.

"We will continue to rear some sterile moths, but we believe the states and growers will be able to conduct regulatory, control and survey work against this pest," Ford said. "California and industry will have to take the bulk of responsibility for the San Joaquin program."

— Witchweed, a parasitic plant that attacks corn, sorghum and sugarcane, is found in the United States only in southeastern North Carolina and northeastern South Carolina.

"We have already eradicated witchweed from several counties on the periphery of the infestation," Ford said, "and we have developed technology to the point where the states and farmers involved can continue to make progress on their own."

— Gypsy moth caterpillars stripped 13 million acres of trees in the Northeast in 1981. Several federal agencies are involved in efforts with

the states against the pest. The USDA program is concerned with continued artificial spread of the gypsy moth.

"Current technology can retard but not prevent the natural spread of gypsy moths," Ford said. "Given this limitation, USDA and uninfested states have aimed their programs at artificial spread only."

Artificial spread occurs when gypsy moth egg masses or other life stages are carried to new areas by people—a common occurrence because the eggs are often laid on vehicles and other transportable items.

"We will continue to work with USDA's Forest Service on developmental activities in support of state programs," Ford said, "but USDA will no longer be involved in regulatory and other field activities."

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